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John L. Higgins, Lincoln Krochmal,
C. Gregory Vontz, and Thomas G. Wiggans

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

IN RE CONNETICS CORP.
SECURITIES LITIGATION

Case No. C 07-02940 SI

**DECLARATION OF CHRISTOPHER J.
STESKAL IN SUPPORT OF
DEFENDANTS' MOTION TO DISMISS
PLAINTIFF'S AMENDED
CONSOLIDATED CLASS ACTION
COMPLAINT**

Date: October 19, 2007
Time: 9:00 a.m.
Dept: Courtroom 10, 19th Floor
Judge: Honorable Susan Illston

1 I, Christopher J. Steskal, declare as follows:

2 I am an attorney admitted to practice before this Court. I am a partner with the law firm
3 of Fenwick & West LLP, counsel of record for defendants Connetics Corp. ("Connetics"), John
4 L. Higgins, Lincoln Krochmal, C. Gregory Vontz, and Thomas G. Wiggans in this action. I have
5 personal knowledge of the matters set forth herein and, if called upon, could testify competently
6 thereto.

7 1. Attached as Exhibit 1 is a true and correct copy of the transcript of Connetics'
8 conference call on April 26, 2005. This document is quoted at paragraphs 78, 261-62, and 264 of
9 the Amended Complaint.

10 2. Attached as Exhibit 2 is a true and correct copy of an October 30, 2002 National
11 Institutes of Health report entitled "Transgenic Mouse Models: Their Role in Carcinogen
12 Identification." This report is quoted at paragraph 56 of the Amended Complaint.

13 3. Attached as Exhibit 3 are true and correct copies of excerpts from Connetics' Form
14 10-K/A for the fiscal year ended December 31, 2001, filed with the SEC on or about March 29,
15 2002.

16 4. Attached as Exhibit 4 are true and correct copies of excerpts from Connetics' Form
17 10-K/A for the fiscal year ended December 31, 2002, filed with the SEC on or about December 2,
18 2003.

19 5. Attached as Exhibit 5 are true and correct copies of excerpts from Connetics' Form
20 10-K for the fiscal year ended December 31, 2003, filed with the SEC on or about March 15,
21 2004.

22 6. Attached as Exhibit 6 are true and correct copies of excerpts from Connetics' Form
23 10-K for the fiscal year ended December 31, 2004, filed with the SEC on or about March 16,
24 2005.

25 7. Attached as Exhibit 7 are true and correct copies of excerpts from Connetics' Form
26 10-K/A for the fiscal year ended December 31, 2005, filed with the SEC on or about July 25,
27 2006.

28 8. Attached as Exhibit 8 is a true and correct copy of Connetics' Form 8-K and Ex.

1 99.1 attached thereto, filed with the SEC on or about May 24, 2002.

2 9. Attached as Exhibit 9 is a true and correct copy of Connetics' Form 8-K and Ex.
3 99.1 attached thereto, filed with the SEC on or about January 9, 2004.

4 10. Attached as Exhibit 10 is a true and correct copy of Connetics' Form 8-K and Ex.
5 99.1 attached thereto, filed with the SEC on or about January 27, 2004.

6 11. Attached as Exhibit 11 is a true and correct copy of Connetics' Form 8-K and Ex.
7 99.1 attached thereto, filed with the SEC on or about March 24, 2004.

8 12. Attached as Exhibit 12 is a true and correct copy of Connetics' Form 8-K and Ex.
9 99.1 attached thereto, filed with the SEC on or about May 4, 2004.

10 13. Attached as Exhibit 13 is a true and correct copy of Connetics' Form 8-K and Exs.
11 99.1 and 99.2 attached thereto, filed with the SEC on or about July 28, 2004.

12 14. Attached as Exhibit 14 is a true and correct copy of Connetics' Form 8-K and Ex.
13 99.1 attached thereto, filed with the SEC on or about October 25, 2004.

14 15. Attached as Exhibit 15 is a true and correct copy of Connetics' Form 8-K and Ex.
15 99.1 attached thereto, filed with the SEC on or about November 23, 2004.

16 16. Attached as Exhibit 16 is a true and correct copy of Connetics' Form 8-K and Ex.
17 99.1 attached thereto, filed with the SEC on or about January 25, 2005.

18 17. Attached as Exhibit 17 is a true and correct copy of Connetics' Form 8-K and Ex.
19 99.1 attached thereto, filed with the SEC on or about April 26, 2005.

20 18. Attached as Exhibit 18 is a true and correct copy of Connetics' Form 8-K and Ex.
21 99.1 attached thereto, filed with the SEC on or about June 13, 2005.

22 19. Attached as Exhibit 19 is a true and correct copy of Connetics' Form 8-K and Ex.
23 99.1 attached thereto, filed with the SEC on or about August 2, 2005.

24 20. Attached as Exhibit 20 is a true and correct copy of Connetics' Form 8-K and Exs.
25 99.1 and 99.2 attached thereto, filed with the SEC on or about November 1, 2005.

26 21. Attached as Exhibit 21 is a true and correct copy of Connetics' Form 8-K and Ex.
27 99.1 attached thereto, filed with the SEC on or about May 3, 2006.

28 22. Attached as Exhibit 22 is a true and correct copy of Connetics' Form 8-K and Ex.

99.1 attached thereto, filed with the SEC on or about July 10, 2006.

23. Attached as Exhibit 23 is a true and correct copy of a Form 8-K with the SEC's General Instructions relating to the use of such forms.

24. Attached as Exhibit 24 is a true and correct copy of Forms 4 filed on behalf of Thomas G. Wiggans with the SEC between July 1, 2001 and July 9, 2006.

25. Attached as Exhibit 25 is a true and correct copy of Forms 4 filed on behalf of John L. Higgins with the SEC between July 1, 2001 and July 9, 2006.

26. Attached as Exhibit 26 is a true and correct copy of Forms 4 filed on behalf of C. Gregory Vontz with the SEC between July 1, 2001 and July 9, 2006.

27. Attached as Exhibit 27 are true and correct copies of excerpts from Connetics' Schedule 14A, filed with the SEC on or about April 21, 2006.

28. Attached as Exhibit 28 is a true and correct copy of Section 6010.5 of the United States Food and Drug Administration ("FDA") Manual of Policies and Procedures for the Center for Drug Evaluation and Research ("FDA Manual"). This section of the FDA Manual can be found on the FDA's website at <http://www.fda.gov/cder/mapp/6010.5.pdf>.

29. Attached as Exhibit 29 is a true and correct copy of Section 7412.2 of the FDA Manual. This section of the FDA Manual can be found on the FDA's website at <http://www.fda.gov/cder/mapp/7412-2.pdf>.

30. Attached as Exhibit 30 is a true and correct copy of a publicly available document titled "Final Printed Labeling." This document can be found on the FDA's website at http://www.fda.gov/cder/foi/nda/2000/50756_Benzaclin_prntlbl.pdf ("BenzaClin Label"). The BenzaClin Label states on page six that "[b]enzoyl peroxide has been shown to be a tumor promoter and progression agent in a number of animal studies" and that it "induced skin tumors in transgenic Tg.AC mice in a study using 20 weeks of topical treatment."

31. Attached as Exhibit 31 is a true and correct copy of a publicly available document titled "Approval Letter." This document can be found on the FDA's website at http://www.fda.gov/cder/foi/nda/2000/50-756_Benzaclin_Approv.pdf ("BenzaClin Approval Letter"). The BenzaClin Approval Letter states that the FDA has "completed the review of this

1 application, as amended, and [has] concluded that adequate information has been presented to
2 demonstrate that the drug product is safe and effective for use as recommended in the agreed
3 upon enclosed labeling text.”

4 32. Attached as Exhibit 32 are true and correct copies of excerpts from a publicly
5 available document titled “Administrative Documents.” This document can be found on the
6 FDA’s website at http://www.fda.gov/cder/foi/nda/2003/21-535_Clobex_Admindocs.pdf
7 (“Clobex Director Review”). The Clobex Director Review states on page four that a “Medical
8 Officer” and “Team Leader” recommended after a “safety” review of Clobex that “the action
9 taken for the new drug application of [Clobex] be that of non-approvable.” Page seven of the
10 Clobex Director Review also indicates, however, that the division director overruled the Medical
11 Officer and Team Leader and concluded that “[t]his NDA is sufficient for approval since the
12 sponsor has committed to perform the recommended post-marketing studies, both non-clinical
13 and clinical, and has accepted the final draft labeling proposed to sponsor.”

14 33. Attached as Exhibit 33 is a true and correct copy of a publicly available document
15 titled “Approval Letter.” This document can be found on the FDA’s website at
16 http://www.fda.gov/cder/foi/nda/2003/21-535_Clobex_Approv.pdf (“Clobex Approval Letter”).
17 The Clobex Approval Letter states that the FDA has “completed [its] review of this application,
18 as amended. It is approved, effective on the date of this letter, for use as recommended in the
19 agreed-upon labeling text.”

20 34. Attached as Exhibit 34 are true and correct copies of excerpts from a publicly
21 available document titled “Center for Drug Evaluation and Research: Report to the Nation 2005”,
22 which can be found on the FDA’s website at [http://www.fda.gov/cder/reports/rtn/2005/](http://www.fda.gov/cder/reports/rtn/2005/rtn2005.pdf)
23 [rtn2005.pdf](http://www.fda.gov/cder/reports/rtn/2005/rtn2005.pdf).

24 35. Attached as Exhibit 35 is a true and correct copy of a financial analyst report
25 issued by Wachovia Capital Markets, LLC on April 26, 2005.

26 36. Attached as Exhibit 36 is a true and correct copy of a financial analyst report
27 issued by Jefferies & Co., Inc. on April 27, 2005.

28 37. Attached as Exhibit 37 is a true and correct copy of a financial analyst report

1 issued by Summer Street Research Partners on June 9, 2005.

2 38. Attached as Exhibit 38 is a true and correct copy of the Declaration of Gerald H.
3 Silk in Support of the Motion of Teachers' Retirement System of Oklahoma for (1) Appointment
4 as Lead Plaintiff; (2) Approval of Its Selection of Counsel as Lead Counsel for the Class; and (3)
5 Consolidation of All Related Actions, and Exhibits A and D thereto, filed by plaintiff Teachers'
6 Retirement System of Oklahoma on November 17, 2006 in the action captioned *Fishbury, Ltd. v.*
7 *Connetics Corp.*, No. 06-CV-11496 (S.D.N.Y.).

8 39. Attached as Exhibit 39 are tables summarizing defendants' stock sales and
9 holdings of Connetics stock during the period January 27, 2004 to July 9, 2006, and defendants'
10 sales of Connetics stock during the period July 1, 2001 and January 26, 2004. The figures
11 included in these were compiled from the publicly available information contained in Exhibits 24
12 through 26.

13 40. Attached as Exhibit 40 is a table summarizing some of the meaningful cautionary
14 language related to Velac gel that Connetics publicly disclosed in its filings with the SEC and
15 included in its public statements. This table summarizes publicly available information contained
16 in Exhibits 1, 3-6, 8, 10-12, and 17-18.

17 41. Attached as Exhibit 41 is a true and correct copy of a chart showing Connetics'
18 historical stock prices from December 1, 2003 through December 28, 2006.

19 I declare under penalty of perjury under the laws of the United States of America that the
20 foregoing is true and correct to the best of my knowledge, information and belief.

21 Executed this 13th day of August 2007, at San Francisco, California.

22
23 By: _____/s/

24 Christopher J. Steskal

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